



MAKING HOME AFFORDABLE PROGRAM: FHA's HOME AFFORDABLE MODIFICATION LOSS MITIGATION OPTION

The Making Home Affordable Program (MHA) is designed to help homeowners retain their homes and to prevent the destructive impact of foreclosures on families and communities. One key component of MHA provides homeowners the opportunity to reduce their mortgage payments by the use of a Loan Modification through the Home Affordable Modification Option (HAMP). Ref: Mortgagee Letters 2000-05, 2003-19, 2008-21, 2009-23, 2009-35, 2010-04, and <http://www.hud.gov/offices/hsg/sfh/nsc/ml0923qa.pdf>.

BASIC PROGRAM GUIDELINES

FHA-Home Affordable Modification Option (FHA-HAMP) – Is an enhanced Loss Mitigation Option that combines a Loan Modification with a Partial Claim.

- **Imminent Default Mortgage** – First 4 months complete a trial Loan Modification.
- **Default Mortgage** - First 3 months complete a trial Loan Modification.
- Mortgagees are to advance funds to pay arrearages.
- Defers principal repayment (buy-down) of up to 30% of the unpaid principal balance.
- Arrearage cannot exceed 12 months PITI (includes previous Partial Claim Dollar Amount).
- Interest Rate shall be set according to the requirements stated within Mortgagee Letter 2009-35.
- Loan Modification must be re-amortized to a 30 year fixed rate mortgage.
- FHA-HAMP is a permanent addition to HUD's Loss Mitigation Program.

Must see Attachment to Mortgagee Letter 2009-23 for a complete listing of Program guidelines, Mortgagee Letter 2009-35 for FHA-HAMP and Mortgagee Letter 2010-04 for Loss Mitigation for Imminent Default.

DEBT TO INCOME RATIOS

- **Front-End Ratio** – defined as the total mortgage payment (PITI) for the first mortgage, shall be 31% of the Mortgagor's gross monthly income.

- **Back-End Ratio** – defined as the total mortgage payment plus all recurring monthly debt, shall not exceed 55% of the Mortgagor's gross monthly income.

CALCULATION OF MAXIMUM PARTIAL CLAIM AMOUNT UNDER FHA-HAMP

- Maximum Partial Claim amount is 30 % of the outstanding principal balance.
- Principal deferment on the FHA-HAMP is determined by multiplying the outstanding principal balance by 30% and then reducing that amount by the arrearages advanced to cure the default for up to 12 months PITI (includes previous Partial Claim Dollar Amount) and any foreclosure costs incurred.
- Subject to the requirements of Mortgagee Letter 2008-21.
- Principal deferment amount for a specific case shall be limited to such amount that will bring the Mortgagor's PITI to 31% of gross monthly income.

REQUIREMENTS TO USE FHA-HAMP

The priority order that Mortgagees shall follow is:

Imminent Default Mortgage

- Formal and Informal Agreements
- FHA-HAMP
- Imminent Default Mortgage is NOT eligible for FHA's Home Retention Loss Mitigation Options – Special Forbearance, Loan Modification and Partial Claim

Default Mortgage

- Existing FHA Home Retention Loss Mitigation Options – Special Forbearance, Loan Modification and Partial Claim
- FHA /HAMP

MORTGAGEE INCENTIVES

- Mortgagor must be in imminent default or
- Mortgagor need only be in default, 30 days past due.
- Two (2) types of Incentive Payments:
 - Upon completion Mortgagee may receive a total of \$1,250:
 - Partial Claim Incentive - \$500
 - Loan Modification Incentive - \$750

PARTIAL CLAIM FILING AND DOCUMENT DELIVERY

- Claim for insurance benefits must be filed within 60 days from the date of execution.
- Any previous outstanding Partial Claim(s) must be subordinated.
- Cancelled foreclosure fees and costs may also be included in the Partial Claim.

MONITORING

- FHA will monitor Mortgagees for compliance with the terms of this Mortgagee Letter.
- FHA will take administrative actions, including sanctions and penalties against all parties for non-compliance.

REMITTANCE

Upon payoff or termination of first mortgage, Mortgagee is required to ensure:

- Amounts due under all Partial Claims are received and remitted to HUD.
- All funds collected must be delivered to HUD's servicing contractor within 24 hours of receipt.
- Repayment Terms, Option Failure and Disclosures described in Mortgagee Letters 2000-05 and 2003-19 apply.

*Mortgagees should forward all required documentation and any payments
for Partial Claims to:*

C&L Service Corporation
2488 East 81st Street, Suite 700
Tulsa, Oklahoma 74137
Toll Free Phone: (877) 622-8525

Toll Free Fax: (866) 249-0626

Local Fax: (918) 935-2994

If you have any question you may contact NSC at:

National Servicing Center

www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm

E-mail: hsg-lossmit@hud.gov

1-877-622-8525

Frequently Asked Questions:

<http://www.hud.gov/offices/hsg/sfh/nsc/faqnsctc.cfm>